

RESPONSE AND TESTIMONY OF
H. DWIGHT WHITTAKER, PRESIDENT/CEO DEVELOPMENT WORKSHOP, INC.
TO AN INQUIRY BY MR. ANDREW D. HOUGHTON, COMMITTEE MEMBER OF
THE COMMITTEE FOR PURCHASE FOR PEOPLE WHO ARE BLIND OR SEVERELY
DISABLED
DURING THE PUBLIC HEARINGS HELD BY THE COMMITTEE ON JANUARY 26,
2006
AT THE PHILLIP BURTON FEDERAL BUILDING, CALIFORNIA/NEVADA ROOM,
450 GOLDEN GATE AVENUE, SAN FRANCISCO, CA 94102

Mr. Andrew D. Houghton and members of the President's Committee and Staff:

In response to your inquiry as to "what would be the total impact upon your agency if the federal minimum wage was implemented and became a part of the requirements to participate in the Javits-Wagner-O'Day Program" or words to that effect.

RESPONSE: First of all Mr. Houghton and members of the Committee, the Javits-Wagner-O'Day Program was implemented to serve persons with severe disabilities. Consumers with disabilities working on production contracts at Development Workshop, Inc. have a current average productivity level of 30%. This means that there would need to be a 70% subsidy or expense mark-up from some other source if a minimum wage was to be guaranteed. As in most cases within the business sector, costs are passed onto the customer. Under the Javits-Wagner-O'Day Program the government is the primary customer. Therefore, prices would need to be increased to offset the difference between the productivity level of individuals with severe disabilities and the minimum wage guarantee. I believe this would have a negative effect on the Javits-Wagner-O'Day Program. The increased prices to our federal customers would result in a decrease in orders resulting in fewer employment opportunities.

Another important philosophical point is that this minimum wage requirement would in essence be an entitlement and a guarantee that would not contribute to an individual's self-

worth and dignity. Whereas now they strive to increase their productivity resulting in higher earnings. The minimum wage guarantee would become a disincentive for individuals to stretch and grow and want to do their very best in order to maximize their earnings.

Another very important issue is the fact that persons with severe disabilities would lose many of their benefits from other programs. There is a definite difference between the benefits established for the blind community and for “other severe disabilities.” Under the substantial gainful activity criteria, the blind are able to earn a substantially higher amount before their benefits are reduced. In contrast, the benefits for people with “other severe disabilities” would be immediately reduced by a minimum wage guarantee.

The final point I would like to make is that it isn’t always about the person’s earnings as much as it is about the ability to participate in a work environment along with their peers and other friends and associates in an environment that allows them an opportunity to transition into the main stream of society. It is more importantly about stability and about the opportunity to go to work everyday and to be a productive citizen within our society, contributing to the goods and services needed by the federal government under the Javits-Wagner O’Day Program.

Now as to the dollar impact on Development Workshop, Inc. a review of the payroll data recently submitted to NISH results in the following annualized information. The Committee should realize that the numbers could fluctuate a little bit depending upon the number and frequency of orders under the Javits-Wagner-O’Day Program. The additional expense to Development Workshop, Inc. to pay all persons with disabilities at the federal minimum wage, currently at \$5.15 per hour, would result in an increased expense of \$271,331.58 per year.

It was a real privilege and an opportunity to meet with the Committee and present testimony on January 26, 2006. I appreciate Mr. Houghton's question and the other questions from the Committee members. Thank you for this opportunity to provide input on these critical issues.

MEMORANDUM

Date: January 31, 2006

To: Committee Members

From: Mike O'Bleness

Subject: Response to the President's Committee Questions from the San Francisco Public Hearing on JWOD

When it came to my attention that all the individuals who provided public testimony on the December 15, 2005 published Federal Register were asked a question regarding a sub-minimum wage paid under section 14C of the Fair Labor Standards Act, I became concerned. No where in the Federal Register documents was the issue of sub-minimum raised and in the instructions given to all individuals providing public testimony were directed to keep their comments to only those areas that were raised in the Federal Register, yet the committee asked all individuals to comment on the issue of paying sub- minimum wages to individuals with severe disabilities working on JWOD projects. Not only does this seem to be outside the area that the Committee was exploring as indicated in the Federal Register Publication, but it is also an extremely complex area affecting people with disabled ability and their everyday life.

At the San Francisco public hearings, it also became evident that the agencies representing individuals from the national industries for the blind were in favor of requiring minimum wage payment, where the other agencies that provide services to individuals with significant disabilities other than blindness were opposed, I found this puzzling. Upon researching the social security regulations relating to individuals with disabilities and whether or not they would continue to be able to draw their benefits, I noted that an individual with a significant disability other than blindness who would be paid minimum wage on an annual

basis would earn enough to lose their social security benefits and related health care. As listed in the Social Security Red Book for 2005, an individual who is blind and paid the federal minimum wage would not reach significant gainful activity and therefore would be allowed to continue to receive Social Security and related health care benefits.

This is just one of the complexities that comes to light when looking at earnings and eligibility for benefits that would need to be fully explored and not asked as an afterthought from the Committee of all individuals providing testimony on non-profit governance. Another issue with SGA is that all people chose to work for different motivating factors. Some individuals among the general population as in the population of people with disabilities wage can be the primary motivator. Other individuals may chose to work at a business for a lower rate of pay because of the environment, the culture, the peer group, and I believe that the same is true for individuals with severe disabilities. I would point to the committee a recent article in the Wall Street Journal December 31, 2005 titled "Eli's Choice" as an illustration that individual's with disabilities in the current world of self-determination are making many choices based upon their own circumstances, their own needs and their own desires and that it is a much larger issue than the management of the JWOD Act. I would encourage the committee to participate in the national discussion around wages, health care benefits and with the eye of making sure that decisions that are made at a national level do not exclude people with disabilities from making the choices that are appropriate for their own individual situations.